Senior Leader Guidance on Way Ahead for USMC ABC Capability (Cost and Performance Information)

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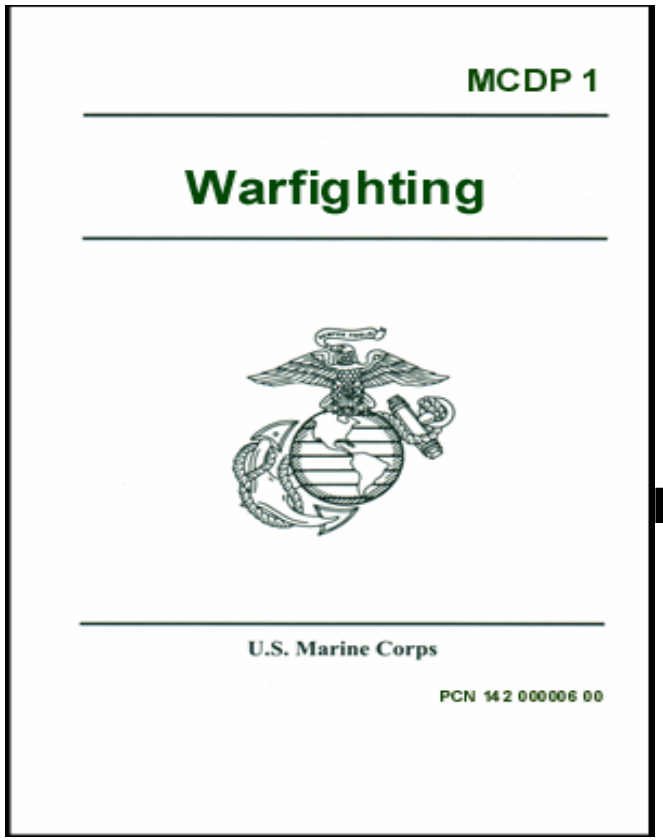
The Bottom Line: The Warfighting Principle of Focus



”To devote means to unnecessary efforts or excessive means to necessary secondary efforts

violates the principle of focus….

Focus applies not only to the conduct of war but also to the preparation for war.”

ABCM is designed to help us achieve this focus through a fact-basis for installation resource decisions.

Agenda and Purpose

- **Brief Senior Leadership on:**
  - Demand for USMC Cost and Performance Information
  - The role Activity-based Costing (ABC) plays in providing Cost and Performance (C&P) information
  - Potential COAs for generating C&P/ABC information
- **Seek direction on:**
  - Course that USMC should take regarding the collection of Cost and Performance information in general, and ABC information in particular

Purpose of ABC for the USMC

Substantiate POM Initiatives

- Build Balanced Scorecard
- **Identify Cost Drivers**
- **Quantify POM initiatives**
- **Conduct Comparative analysis**

Demonstrate program costs

- **Support CPI/Lean Six Sigma**
- **Identify Indirect Overhead Costs**
- **Calculate Total Cost of Service**
- **Calculate Unit Costs**

Apply Execution data

- **Benchmarking & Best Practices**
- **BRAC, MOU negotiations**
- **SFFAS #4 compliance**
- **DRRS, CDIS, PAR support**

Background

- **USMC Enterprise ABC effort began in April 1999**
  - LF introduced ABC to bases (mid 90's) using Army Corps of Engineers model
  - Enterprise ABC requested for local use by MarFor/base commanders in Apr 98 to support POM98 and A-76 wedges
  - Enterprise ABC was approved by ACMC – assigned to LR for implementation
  - Competition for software provider completed in Jun 99 – installed at 22 sites by 2000
  - Per base MarFor/ base commander input, LR coordinated development of model standards in 00 -02 - permitting comparative analysis of base operations data
  - Shared data warehouse created single interface to legacy systems greatly simplifying work of installation ABC models at 22 sites by 2005

- **ROI on ABC investment**
  - Invested approximately $6M for software, training, consultant support
  - Return reported by MARFORS approximately $35M in FY01(met POM wedge)
  - Installations complied with FASAB cost management standards
  - Developed internal ABC capability and ended reliance on consultants
  - Enhanced USMC reputation. Awarded CAM-I's Cost Management Award in 2005

ABC - Current Situation

No steady HQ demand for ABC information

- Data occasionally used at HQ level on ad hoc RFI basis
- Primary HQ customers, LF & MCCS, do not use at all

Demand for ABC results by field commanders mixed

- MARFORCOM, MARFORPAC and LOGCOM would like to continue ABC
- Some bases and HQ elements would like to discontinue ABC
- MCI West briefed Marine Installation Board on information needs - May 07

Installation ABC models are now out of date

- Current ABC models too complex, not updated in a year
- Lost use of models for benchmarking
- Current ABC software needs to be upgraded

Coordination

- **Conducted detailed field survey during 2006**
- **Coordinated proposed way ahead in 2007 MCATS tasker**

ABC Courses of Action

- **COA1: Discontinue ABC Support (cost = $0)**
  - Bases not required to use ABC
  - No HQ support for data warehouse
- **COA2: Continue ABC on Life Support ($600K FY08)**
  - COA 2a -- Bases not required to use ABC
  - COA 2b – Bases required to submit ABC models
  - HQ supports data warehouse, ABC Model simplified, standardized.
- **COA3: Revitalize ABC Capability ($1.6M)**
  - Bases required to use standard ABC model framework
  - ABC software upgraded and modelers trained in its use
  - ABC model results are used by MCIs for benchmarking
  - USMC-wide data can be used to support USMC cost and performance requirements: CDIS, POM, DRRS, PART, PAR

Course of Action Positions

MCRD PI:	COA3	Revitalize
Support		
MARFORCOM	COA2	
MARFORPAC	COA2	Continue
Life Support		
LOGCOM	COA2	(As is)
MARFORRES	COA1	
MCCS	COA1	
MCB QUANTICO	COA1	Discontinue
Support		
I&L (LF)	COA1	
MCRD SD	COA1	

ABC USER SURVEY RESULTS COA2

COA 1: Discontinue ABC Support

COA 1:Discontinue HQ ABC support of data warehouse.

- Bases have option to use ABC software.
- HQ Stops funding data warehouse and modeling COP support
- No cost

- **Pros:**
  - Allows for redirection of installation BPO staff

- **Cons:**
  - Visibility lost about what work consumes time spent by 17,000 Marines assigned to bases and stations
  - Loss of cost management capability still requested by bases
  - Loss of tool that could be of useful for LSS, DRRS, CDIS.
  - Data warehouse saves many hours of time to extract data from 8 legacy systems. Instead of one inquiry, will have potentially 22 inquiries into each legacy system.

COA 2a: Continue ABC On Life Support

COA 2a: HQ funds only ABC Data Warehouse support, bases sustain modeling COP.

- Bases not required to build or post standard ABC models.
- HQ coordinates simplified ABC model standardization.
- HQ funds $600K to support shared data warehouse

- Pros:
  - Base commanders continue to receive requested ABC support
  - Full cost of operations is calculated in accordance with SFFAS#4
  - Visibility is gained about what work consumes time spent by 17,000 Marines assigned on bases and stations.
  - Data warehouse reduces work at all bases to populate models
- Cons:
  - Optional ABC models precludes region-wide benchmarking
  - No support for USMC-wide CDIS reporting requirements
  - Funds to support data warehouse have not been identified.

COA 2b: Continue ABC on Life Support

COA 2b: **HQ funds only ABC Data Warehouse support, bases sustain modeling COP.**

- Bases required to build and post standard ABC models.
- HQ coordinates simplified ABC model standardization.
- HQ funds $600K to support shared data warehouse

- **Pros:**
  - Base commanders continue to receive requested ABC support
  - Full cost of operations is calculated in accordance with SFFAS#4
  - Visibility is gained about what work consumes time spent by 17,000 Marines assigned to bases and stations
  - Since all bases required to complete ABC models, data can be used by MCI's to benchmark performance
  - ABC results can be used to defend POM filings, CDIS elements.
  - Data warehouse reduces work at all bases to populate models
- **Cons**:
  - Using older version of ABC software is labor intensive
  - Funds to support data warehouse have not been identified.

COA 3: Revitalize ABC Capability

COA 3: HQ Funds software upgrade, modeler training.

- Bases required to build and post standard ABC models.
- HQ coordinates ABC model standardization.
- HQ funds $1.6M to support warehouse, training, software refresh

- Pros:
  - Total cost of operations is calculated in accordance with SFFAS#4.
  - Visibility is gained about what work consumes time spent by 17,000 Marines assigned to duty on bases and stations
  - Data can be used to satisfy cost and performance data requirements: LSS, CDIS, DRRS, etc.
  - New software is compatible with NMCI, supported by vendor
  - New software is compatible with CNI = integrated DON capability.
- Cons:
  - Base commanders have not indicated need for upgraded software
  - Funds to support data warehouse, purchase and install new ABC software, and train users, have not been identified.

Recommendation

COA 3: Revitalize ABC Capability

- Bases required to build and post standard ABC models.
- HQ coordinates ABC model standardization.
- HQ funds $1.6M to support warehouse, training, software refresh

- **Pros**:
  - Total cost of operations is calculated in accordance with SFFAS#4.
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Backup

Selected Comments - MCATS May 07

In Favor

ABC data provides a holistic view of resource consumption

MARFORPAC

ABC supports process improvement programs

MARFORCOM

“ABC used successfully for A76, Lean Six Sigma, and strategic planning.”

MCRD Parris Island

Opposed

ABC Data not timely, relevant.

MARFORRES

Resources not available to do both ABCM and Continuous Process Improvement (CPI)

MARCORBASESLANT

ABC data is “unusable or unavailable.”

I&L (LF)

30 Jan ABC Survey/Report

Report by John Miller, Jim Schmook, and Steve Player

- **Initial local use by base commanders to reduce operating costs and meet budget realignment objectives worked**
- **Subsequent enterprise efforts to standardize models have not achieved expectations**
- **The appropriated fund environment of "spend or lose funding" militates against cost reducing initiatives**
- **PPBES driven culture is displacing the ABC/M effort**
  - PPBES could be leveraging ABC as only source of total cost and mil labor
  - Use of ABCM to support decisions is low at all command levels
  - Current usage, benefits and ROI do not meet expectations
- **3 COAS identified**
  - Make ABC/M optional
  - Revise the strategy and refresh the software
  - Modify ABC/M to a limited MC Cost/performance requirement

Who Demands Cost and Performance Data?

CONGRESS

Prepare performance plan covering each program in the budget

GPRA

PRESIDENT

Integrate performance with associated cost.

President's Management Agenda

SECDEF

Integrate Budget and Performance

MID910

SECNAV

All costs associated with the process… must be considered [emphasis added]

SECNAV Memo

CMC

"Analyze cost and performance data…."

MARADMIN 320/03

CNO

" Readiness at cost."

Navy Playbook, June 2007

FASAB

Managerial Cost Account Standards

SFFAS #4

Program Assessment Rating Tool (PART)

DoD Base Operations & Support

2006 Assessments by OMB

US Army Rating: Performing

"The Army has managed to continue providing critical services with little to no interruption…."

US Navy Rating: Performing

"The program has a clear purpose and is guided by useful performance measures…."

US Air Force Rating: Not Performing

"The program lacks a uniform set of performance measures to ensure efficient allocation of resources across air bases worldwide."

US Marine Corps Rating: Not Performing

"The program lacks outcome-based metrics that would enable military leadership to determine whether base support services are provided at an appropriate level."

What Cost and Performance Information Can Mean to the Warfighter

CMC
(Strategic Readiness)

Are Forces Ready?
DoD Balanced Scorecard

MEF
(Tactical Readiness)

Launch Aircraft
DRRS

Outcome Metrics

Hours to Initiate Launch

Night Launch/Recovery Cycle Time

Day Launch/Recovery Cycle Time

HQMC
(POM-Cost of 80%/90%/100% Availability)

Airfield Support
CDIS

Output Metrics

% Airfield Operational

% ATC Equipment Operational

% Weather Forecasts Accurate

MCI
(Efficient Operations)

Aviation Operations
ABC

Unit Costs

Cost per aircraft launched

Cost/hr ATC operations

Cost per Weather forecast

Example of ABC Total Cost Information

Summary of 37 Major Business Processes

USMC Installations	FTE 1/	Personnel	Supplies	Travel	Contracts	Equipment	Utilities	Transportation	Printing	Other Expenses	Personnel Other	Total Expenses
Log Bases												
MCLB Albany	629	$ 39,277,596	$ 5,166,976	$ 709,328	$ 12,726,457	$ 1,165,462	$ 4,948,405	$ 51,615	$ 2,031	$ -	$ 1,267,732	$ 65,315,602
MCLB Barstow	167	38,980,597	2,575,605	403,420	22,059,060	2,136,704	4,881,109	35,041	22,384	339	21,997	71,116,256
Subtotal Log Bases	796	78,258,193	7,742,581	1,112,748	34,785,517	3,302,166	9,829,514	86,656	24,415	339	1,289,729	136,431,858
MARFORPAC												
MCB Camp Butler	5,781	198,988,118	39,928,898	4,348,181	47,740,941	11,704,645	26,773,673	333,461	137,336	1,133,070	37,261,290	368,349,613
MCAS Miramar	1,388	60,403,907	9,048,057	1,524,174	31,931,827	2,080,950	16,078,195	256,363	-	674,989	15,523,158	137,521,620
MCAS Yuma	1,391	44,898,328	9,529,967	978,905	25,551,552	1,413,650	5,195,950	190,022	-	2,869,930	15,534,350	106,162,654
MCAGTFTC 29 Palms	2,431	83,524,224	45,224,699	1,277,525	47,234,932	3,334,015	14,422,415	8,973	298,614	1,959,112	14,737,694	212,022,203
MCAS Iwakuni	2,143	75,107,450	16,259,810	1,280,011	12,862,443	3,088,006	253,671	-	3,360	2,264,829	14,055,253	125,174,833
MCB Camp Pendleton	2,608	129,737,385	31,047,048	1,717,601	65,421,097	9,966,268	13,156,038	(47,135)	97,723	3,298,786	9,342,134	263,736,945
MCB Hawaii	2,322	82,298,190	44,715,180	1,996,580	40,275,050	187,974	14,230,111	-	-	1,297,356	70,042,280	255,042,721
MCAS Camp Pendleton	346	14,378,594	1,769,570	116,963	961,909	122,957	2,127,919	-	-	33,521	3,538,260	23,049,693
Subtotal MARFORPAC	18,410	689,336,196	197,523,229	13,239,940	271,979,751	31,898,465	92,237,972	741,684	537,033	13,531,593	180,034,419	1,491,060,282
MCRD												
MCRD San Diego	1,944	115,307,535	13,992,740	906,905	26,058,903	1,777,256	7,150,536	151,579	-	243,916	5,839,121	171,428,491
MCRD Parris Island	2,270	111,754,913	35,089,167	1,102,555	34,605,552	2,272,860	5,434,694	-	8,292	283,712	294,573	190,846,318
Subtotal MCRD	4,214	227,062,448	49,081,907	2,009,460	60,664,455	4,050,116	12,585,230	151,579	8,292	527,628	6,133,694	362,274,809
MARFORLANT												
MCAS Cherry Point	2,606	99,416,973	16,180,121	1,233,686	39,066,005	2,415,995	15,250,942	1,550	94,282	395,017	22,090,629	196,145,200
MCAS Beaufort	1,542	47,180,083	5,908,152	466,741	32,345,455	1,216,193	5,549,672	16,500	122	1,143,609	17,739,561	111,566,088
MCAS New River	921	28,049,761	3,474,586	209,651	2,362,471	364,756	161,181	-	15,510	951,032	10,252,344	45,841,292
MCAF Quantico	256	13,293,402	1,568,500	91,568	8,128,812	20,403	139,704	-	720	12,600	90,665	23,346,374
MCB Camp Lejeune	4,704	170,012,811	134,780,334	3,655,318	122,627,939	15,971,893	31,737,658	2,079,581	378,553	4,289,042	106,532,109	592,065,238
Subtotal MARFORLANT	10,029	357,953,030	161,911,693	5,656,964	204,530,682	19,989,240	52,839,157	2,097,631	489,187	6,791,300	156,705,308	968,964,192
Other Commands												
MCSD Kansas City	160	9,972,333	793,602	297,366	3,748,775	313,825	1,535,908	26,449	52,666	73,437	217,460	17,031,821
MCB Quantico	2,065	103,970,415	21,278,364	1,324,728	44,235,297	3,558,275	15,380,494	77	161,971	94	92,196	190,001,911
Marine Barracks 8th and I	944	44,179,059	3,492,137	1,165,675	3,295,852	929,936	3,003,602	23,981	43,841	1,506,345	-	57,640,428
Subtotal Other Commands	3,169	158,121,807	25,564,103	2,787,769	51,279,924	4,802,036	19,920,004	50,507	258,478	1,579,876	309,656	264,674,160
USMC Headquarters	36,618	$ 1,510,731,674	$ 441,823,513	$ 24,806,881	$ 623,240,329	$ 64,042,023	$ 187,411,877	$ 3,128,057	$ 1,317,405	$ 22,430,736	$ 344,472,806	$ 3,223,405,301

1/ FTE = Total Civilian, NAF and Military

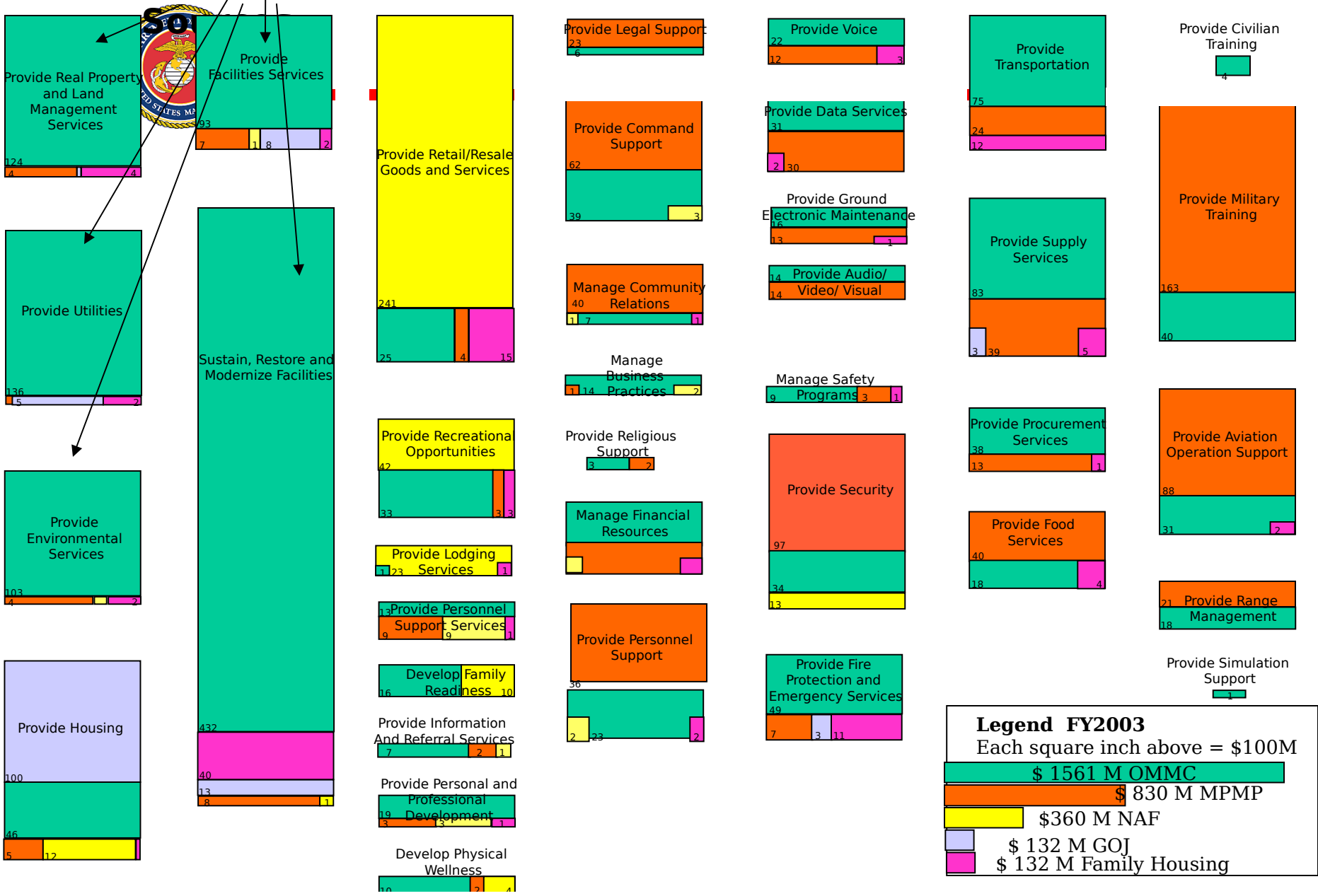
ABC FTE Information Sample

FY03	Family Housing	OMMC	Military	NAF	O&M Def	National	Other	Totals
Command and Staff Support	**10.27**	**1,235.02**	**4,148.67**	**273.00**	**11.41**	**157.13**	**1.27**	**5,837.62**
Provide Command Support	4.67	274.29	1,017.06	28.00	5.93	8.00	0.00	1,337.96
Manage Financial Resources	4.91	424.58	488.93	64.00	0.00	60.65	0.00	1,043.85
Provide Legal Support	0.00	63.87	345.54	0.00	0.00	9.00	0.00	418.41
Provide Personnel Support	0.41	320.85	1,363.17	181.00	5.20	48.56	0.00	1,919.19
Manage Community Relations	0.28	47.78	812.70	0.00	0.28	21.57	0.27	882.88
Manage Business Practices	0.00	87.24	11.33	0.00	0.00	5.35	1.00	105.00
Provide Religious Support	0.00	16.40	109.94	0.00	0.00	4.00	0.00	130.34
Information Technology	**1.00**	**418.60**	**1,205.23**	**1.00**	**0.99**	**167.94**	**0.00**	**1,794.75**
Provide Data Services	1.00	225.65	656.58	1.00	0.99	56.94	0.00	942.17
Provide Voice	0.00	128.68	271.89	0.00	0.00	78.00	0.00	478.57
Provide Ground Electronic Maintenance	0.00	64.26	276.75	0.00	0.00	33.00	0.00	374.01
Logistics Support	**1.00**	**1,114.93**	**2,052.92**	**4.00**	**0.00**	**636.22**	**0.00**	**3,811.07**
Provide Supply Services	0.00	277.66	777.69	0.00	0.00	131.38	0.00	1,186.72
Provide Transportation	1.00	512.15	532.47	0.00	0.00	306.99	0.00	1,353.60
Provide Food Services	0.00	30.94	443.21	0.00	0.00	161.08	0.00	635.23
Provide Procurement Services	0.00	294.19	299.56	4.00	0.00	36.77	0.00	635.52
Security and Safety	**42.70**	**1,198.92**	**2,827.08**	**17.00**	**0.00**	**584.51**	**0.00**	**4,670.21**
Provide Security	0.00	318.82	2,601.35	17.00	0.00	329.81	0.00	3,266.98
Provide Fire Protection and Emergency Services	42.70	764.89	172.49	0.00	0.00	232.70	0.00	1,212.78
Manage Safety Programs	0.00	115.21	53.24	0.00	0.00	22.00	0.00	190.45
Facilities and Land Management	**305.59**	**3,090.06**	**601.47**	**101.63**	**0.00**	**1,226.94**	**0.00**	**5,325.69**
Provide Housing	142.53	171.99	99.76	36.11	0.00	11.70	0.00	462.09
Provide Facilities Services	11.96	502.74	132.42	49.00	0.00	45.91	0.00	742.02
Sustain Restore and Modernize Facilities	133.87	1,089.58	165.46	0.00	0.00	999.68	0.00	2,388.59
Provide Environmental Services	0.99	407.97	77.55	16.52	0.00	40.93	0.00	543.96
Provide Real Property and Land Management Services	1.99	304.65	120.12	0.00	0.00	79.28	0.00	506.05
Provide Utilities	14.25	613.13	6.15	0.00	0.00	49.44	0.00	682.97
Community Services	**0.00**	**941.28**	**462.18**	**3,662.82**	**107.60**	**903.05**	**21.01**	**6,097.95**
Provide Recreational Opportunities	0.00	223.46	72.06	801.87	0.38	141.21	4.58	1,243.57
Provide Personal and Professional Development	0.00	167.74	56.64	121.82	19.24	51.75	0.02	417.21
Provide Personal Support Services	0.00	82.97	174.29	5.42	71.29	39.00	5.86	378.82
Provide Lodging Services	0.00	3.58	4.02	294.55	0.00	48.85	0.00	351.00
Provide Retail/Resale Goods and Services	0.00	168.79	67.85	2,002.29	0.05	606.54	1.98	2,847.50
Develop Family Readiness	0.00	136.03	3.54	174.09	0.40	6.50	1.77	322.33
Develop Physical Wellness	0.00	60.81	35.84	247.78	0.00	2.89	3.13	350.45
Provide Information and Referral Services	0.00	97.92	47.94	15.00	16.24	6.31	3.66	187.06
Training and Operations Support	**1.09**	**723.22**	**5,879.81**	**7.28**	**0.48**	**86.53**	**0.00**	**6,698.41**
Provide Military Training	0.00	226.37	3,255.59	6.50	0.00	17.00	0.00	3,505.47
Provide Range Management	0.00	164.37	465.68	0.00	0.00	7.00	0.00	637.04
Provide Visual Information	0.00	66.39	299.75	0.00	0.00	16.60	0.00	382.74
Provide Civilian Training	1.09	54.68	5.02	0.78	0.48	1.73	0.00	63.77
Provide Simulation Support	0.00	9.42	4.51	0.00	0.00	0.00	0.00	13.93
Provide Aviation Operation Support	0.00	202.00	1,849.26	0.00	0.00	44.20	0.00	2,095.46
Not Attributed	**0.00**	**158.52**	**913.67**	**0.00**	**0.91**	**0.00**	**0.00**	**1,234.71**
Installation Process Totals	**361.64**	**8,880.56**	**18,091.02**	**4,066.73**	**121.39**	**3,762.32**	**22.28**	**35,470.41**

Sample ABC Info

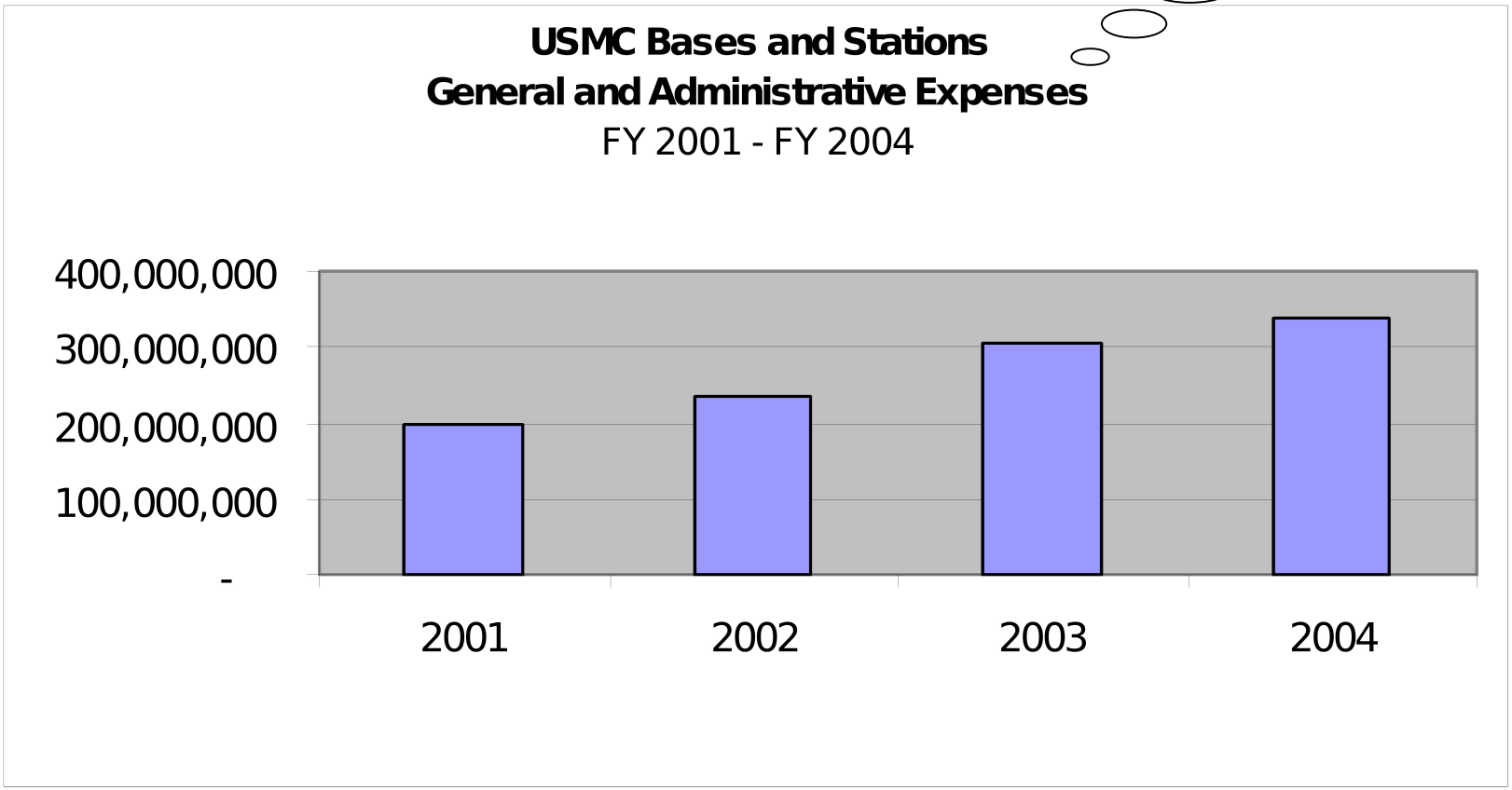
Installation TOTAL	FY 2000	% of Total	FY 2001	% of Total	FY 2004	% of Total	FY 2005	% of Total	FY00-01 % Change	FY01-04 % Change
Total Support and Revenue	$2,664,343,336	100.00%	$2,964,432,709	100.00%	$3,300,208,616	100.00%	$2,676,224,264	100.00%	11.26%	11.33%
General and Administrative Overhead										
Personnel Support	$71,608,136	2.69%	$54,788,303	1.85%	$122,228,950	3.70%	$91,422,287	3.42%	-23.49%	123.09%
Provide Command Support	$92,986,590	3.49%	$62,194,979	2.10%	$134,710,575	4.08%	$78,778,336	2.94%	-33.11%	116.59%
Manage Financial Resources	$73,549,450	2.76%	$58,010,977	1.96%	$74,927,096	2.27%	$59,512,491	2.22%	-21.13%	29.16%
Provide Legal Support	$18,521,967	0.70%	$20,829,421	0.70%	$35,116,619	1.06%	$31,131,116	1.16%	12.46%	68.59%
Manage Community Relations	$27,039,280	1.01%	$27,728,428	0.94%	$33,428,320	1.01%	$31,828,153	1.19%	2.55%	20.56%
Provide Religious Support	$11,225,793	0.42%	$11,915,657	0.40%	$14,199,986	0.43%	$9,084,139	0.34%	6.15%	19.17%
Manage Business Practices	$50,145,826	1.88%	$10,846,036	0.37%	$12,959,216	0.39%	$6,564,299	0.25%	-78.37%	19.48%
Command and Staff Support	$345,077,042	12.95%	$246,313,801	8.31%	$427,570,762	12.96%	$308,320,821	11.52%	-28.62%	73.59%
Available for Program Services	$2,319,266,294	87.05%	$2,718,118,908	91.69%	$2,872,637,854	87.04%	$2,367,903,443	88.48%	17.20%	5.68%
Support for Operating Forces										
Provide Housing	$100,940,481	3.79%	$130,852,682	4.41%	$160,471,028	4.86%	$118,011,630	4.41%	29.63%	22.63%
Provide Facilities Services	$94,570,028	3.55%	$100,203,834	3.38%	$129,492,443	3.92%	$155,264,751	5.80%	5.96%	29.23%
Sustain Restore and Modernize Facilities	$426,514,411	16.01%	$438,722,222	14.80%	$316,115,746	9.58%	$278,725,620	10.41%	2.86%	-27.95%
Provide Real Property Services and Land Mgmt	$67,873,326	2.55%	$126,534,731	4.27%	$194,232,590	5.89%	$194,661,056	7.27%	86.43%	53.50%
Provide Environmental Services	$110,408,933	4.14%	$131,838,169	4.45%	$100,610,803	3.05%	$108,527,333	4.06%	19.41%	-23.69%
Provide Utilities	$162,313,417	6.09%	$183,505,246	6.19%	$169,551,713	5.14%	$215,760,576	8.06%	13.06%	-7.60%
Facilities and Land Management	$962,620,596	36.13%	$1,111,656,884	37.50%	$1,070,474,323	32.44%	$1,070,950,966	40.02%	15.48%	-3.70%
Provide Procurement/Supply Services	$226,811,357	3.17%	$180,605,380	6.09%	$198,726,776	6.02%	$146,616,815	5.48%	-20.37%	10.03%
Provide Transportation	$84,443,463	4.60%	$92,028,373	3.10%	$107,930,597	3.27%	$102,808,418	3.84%	8.98%	17.28%
Provide Food Services	$122,577,520	4.60%	$177,138,500	5.98%	$71,850,487	2.18%	$60,272,345	2.25%	44.51%	-59.44%
Logistics Support	$433,832,340	16.28%	$449,772,253	15.17%	$378,507,860	11.47%	$309,697,578	11.57%	3.67%	-15.84%
Provide Civilian Training	$5,966,669	0.22%	$2,263,536	0.08%	$5,775,494	0.18%	$4,492,775	0.17%	-62.06%	155.15%
Provide Military Training	$164,888,541	6.19%	$176,652,646	5.96%	$199,271,809	6.04%	$146,643,435	5.48%	7.13%	12.80%
Provide Range Management	$26,279,045	0.99%	$33,616,423	1.13%	$40,119,871	1.22%	$41,106,858	1.54%	27.92%	19.35%
Provide Aviation Operation Support	$86,547,834	3.25%	$126,235,421	4.26%	$122,493,127	3.71%	$101,968,953	3.81%	45.86%	-2.96%
Provide Simulation Support	$4,531,564	0.17%	$2,959,536	0.10%	$3,592,214	0.11%	$2,292,055	0.09%	-34.69%	21.38%
Provide Visual Information	$14,711,359	0.55%	$17,837,830	0.60%	$24,210,452	0.73%	$13,535,166	0.51%	21.25%	35.73%
Training and Operations Support	$302,925,012	11.37%	$359,565,392	12.13%	$395,462,967	11.98%	$310,039,242	11.58%	18.70%	9.98%
Provide Security (Force Protection)	$113,059,793	4.24%	$131,721,288	4.44%	$157,508,941	4.77%	$112,906,774	4.22%	16.51%	19.58%
Manage Safety Programs	$15,673,334	0.59%	$12,543,337	0.42%	$17,657,408	0.54%	$13,264,733	0.50%	-19.97%	40.77%
Provide Fire Protection and Emergency Services	$56,544,717	2.12%	$54,029,537	1.82%	$72,277,621	2.19%	$72,874,712	2.72%	-4.45%	33.77%
Security and Safety	$185,277,844	6.95%	$198,294,162	6.69%	$247,443,970	7.50%	$199,046,219	7.44%	7.03%	24.79%
Provide Data Services	$67,285,901	2.53%	$73,039,027	2.46%	$52,760,809	1.60%	$35,791,293	1.34%	8.55%	-27.76%
Provide Voice	$34,367,627	1.29%	$40,146,466	1.35%	$46,682,710	1.41%	$41,700,488	1.56%	16.81%	16.28%
Provide Ground Electronic Maintenance	$16,899,611	0.63%	$20,465,222	0.69%	$24,079,687	0.73%	$13,138,116	0.49%	21.10%	17.66%
Information Technology	$118,553,139	4.45%	$133,650,715	4.51%	$123,523,206	3.74%	$90,629,897	3.39%	12.73%	-7.58%
Total Support for Operating Forces	$2,003,208,931	75.19%	$2,252,939,406	76.00%	$2,215,412,326	67.13%	$1,980,363,902	74.00%	12.47%	-1.67%
Support for Marines and their Families										
Community Services	$1,031,194,199	38.70%	$466,703,503	15.74%	$657,225,520	19.91%	$385,539,543	14.41%	-54.74%	40.82%

O&M – Total Cost of Service--as Defined by External

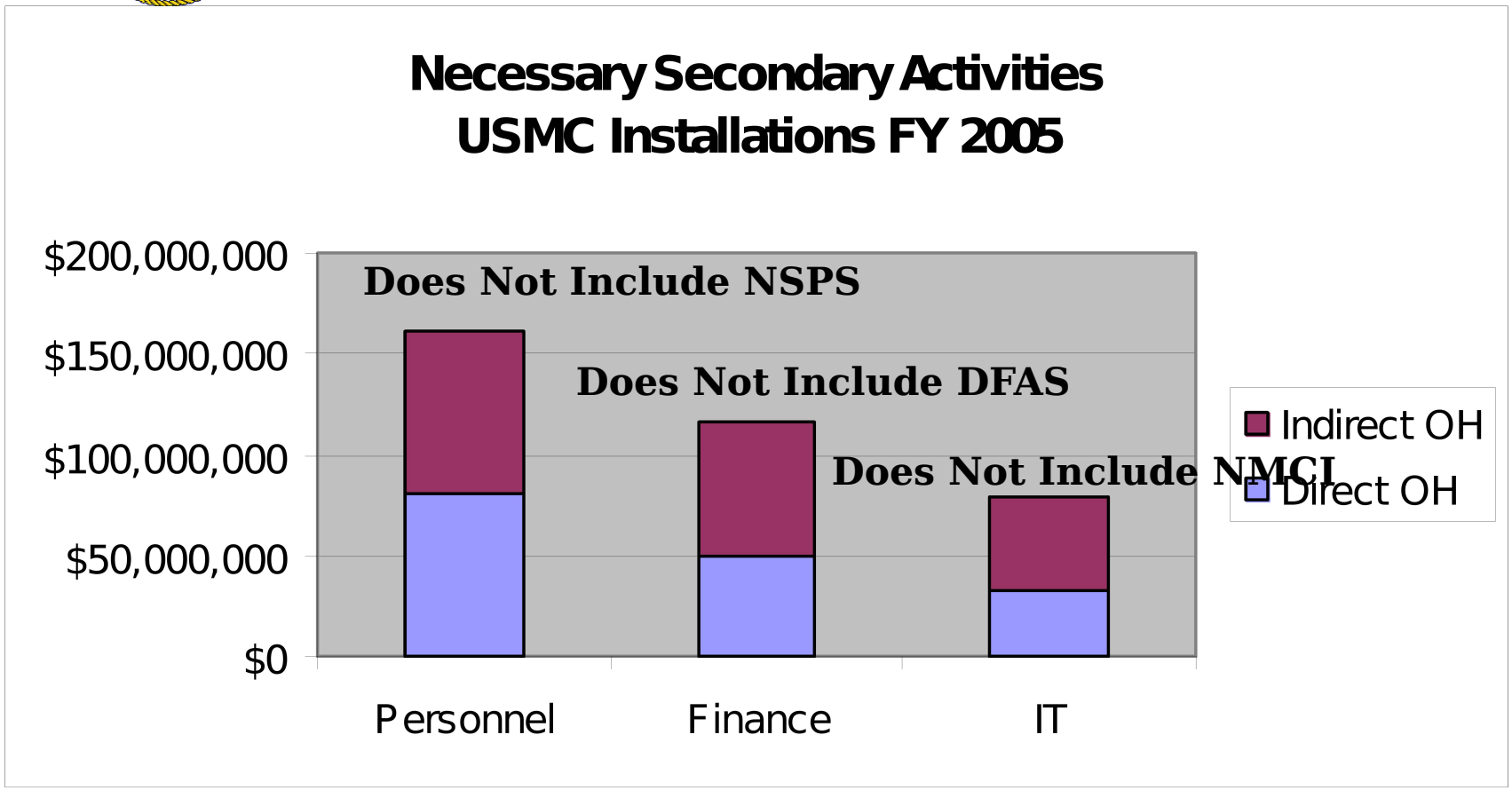


Example Internal Demand for C&P Results --Trend Analysis

"...necessary secondary activities..."
HR, Finance, IT, HQ, etc.



C & P Includes Indirect OH



Total cost to all departments on base to prepare required admin paperwork (indirect costs) is about the same as the cost of running the admin departments themselves (direct costs)

Sources and Uses of Installation Funds

FY 2003 Sources and Use of Installation Funds

SOURCE of Funds:	OMMC 54%	Military 27%	NAF 11%		Govt of Japan 4%	Family Housing 4%	Total USMC 100%
	$1,737,190,000	$849,393,000	$360,261,000	(Amount)	$135,786,000	$132,563,000	$3,215,193,000
	8,843	17,142	4,067	(FTE)	3,762	362	34,176

USE of Funds: Work

Major Business Processe	Cost	Percent	FTE	Percent
Facilities and Land Mgmt	$1,195,675,000	37%	5,326	16%
Community Services	517,800,000	16%	6,098	18%
Training and Ops Support	402,013,000	13%	6,698	20%
Comnd and Staff Support	383,632,000	12%	5,836	17%
Logistics Support	351,042,000	11%	3,753	11%
Security and Safety	231,223,000	7%	4,670	14%
Information Technology	133,808,000	4%	1,795	5%

Total USMC: $ 3,215,193,000 / 34,176

Location	Marine Corps Bases 52%	Marine Corps Air Stations 32%	Recruit Depots 10%	Logistics Bases 4%	HQ Support Activities 2%	Total USMC 100%
	$1,675,727,000	$1,020,229,000	$319,353,000	$135,761,000	$64,123,000	$3,215,193,000
	17,900	10,424	3,784	1,120	948	34,176

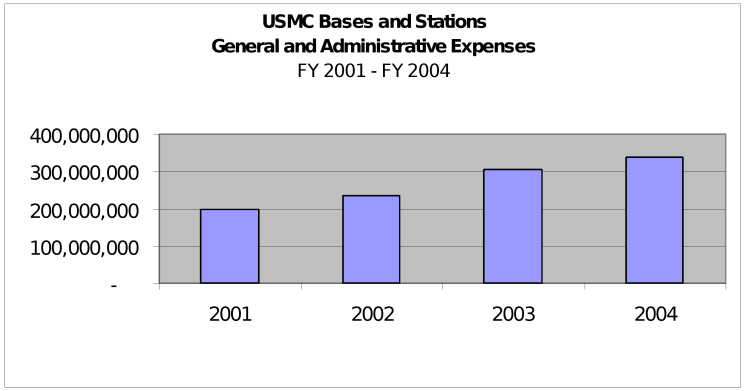
Customer

Installation Customer	Cost	FTE	%
Operating Forces	$ 658,471,526	7,000	20%
Installation Operations	1,401,181,109	14,893	44%
Base Tenants	470,382,736	5,000	15%
Marines & their Families	685,157,628	7,283	21%

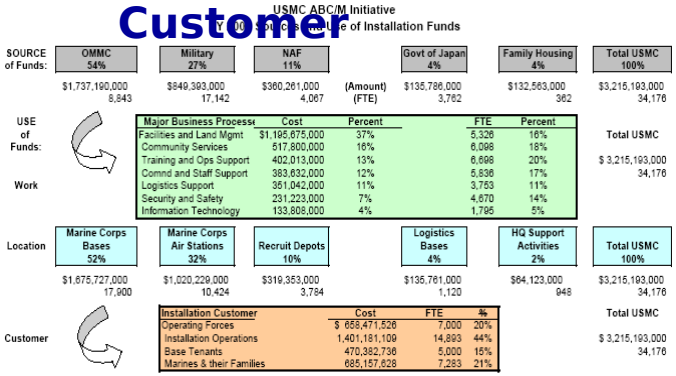
Total USMC: $ 3,215,193,000 / 34,176

How Some types of Cost and Performance Information is Derived: Activity-based Costing (ABC)

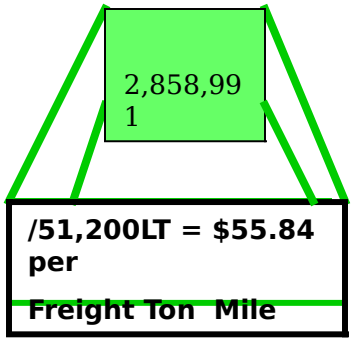
Trend Analysis



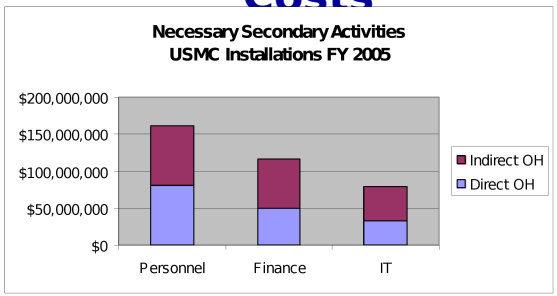
Total Cost by Customer



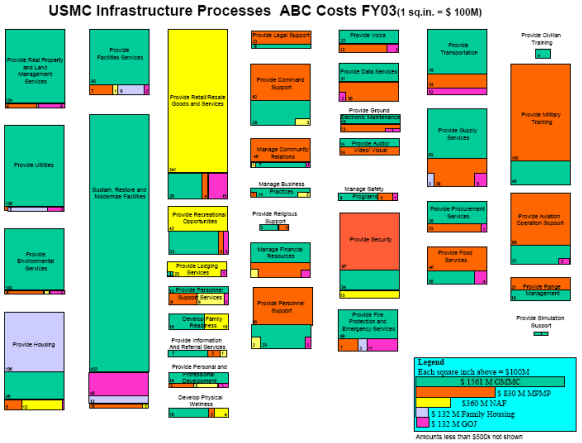
Unit Cost Calculations



Identification of Indirect Costs



Total Cost by Process


USMC Infrastructure Processes ABC Costs FY03 (1 sq.in. = $ 100M)
Legend
Each square inch above = $100M
$ 1561 M OMMC
$ 830 M MPMP
$360 M NAF
$ 132 M Family Housing
$ 132 M GOJ
Amounts less than $500k not shown

DoD Standard ABC Software Users (2004)

US DOD Agencies	Licenses	PRODUCT
Defense CEETA (Communications Electronic Evaluation & Test Activity)	4	Oros ABC/M
Defense Commissary Agency (DeCA)	1	Oros ABC/M
Defense Information Systems Agency (DISA)	12	Oros ABC/M
Defense Security Cooperation Agency (DSCA)	13	Oros ABC/M
Defense Intelligence Agency	9	Oros ABC/M
Defense Logistics Agency (DLA)	2	Oros ABC/M
Defense Logistics Agency-HQ	8	Oros ABC/M
Defense Logistics Agency - Defense Supply Center, Columbus (DSCC)	6	Oros ABC/M
Defense Logistics Agency - Defense Reutilization & Marketing Service (DRMS)	6	Oros ABC/M
Defense Logistics Agency - Defense Energy Support Center (DESC)	2	Oros ABC/M
Defense Logistics Agency - Defense Supply Center, Richmond (DSCR)	20	Oros ABC/M
Defense Finance & Accounting Services (DFAS-CP)	37	Oros ABC/M
Defense Information Systems Agency (DISA-CIM/XE)	6	Oros ABC/M
Defense Technical Information Center (DTIC)	6	Oros ABC/M
DoD J t Total Asset Visibility Office	2	Oros ABC/M
George C. Marshall Center for Security Studies	6	Oros ABC/M
Institute for Defense Analyses	1	Oros ABC/M
Joint Forces Intelligence Command	6	Oros ABC/M
National Security Agency	1	Oros ABC/M
US Atlantic Command - J TASC	12	Oros ABC/M
TOTAL DEFENSE AGENCIES	160	
U.S. ARMY	833	
U.S. NAVY	281	
U.S. MARINE CORPS	372	
U.S. AIR FORCE	364	
TOTAL ORGANIZATIONS USING OROS	**2,010**	

Cost by Course of Action

COA 1 Dismantle existing ABC technology support Total $ 0.00
(Discontinue ABC)

COA 2 Data Warehouse maintenance (Engineer) $600K
(Maintain ABC on Life Support)

COA 3	Upgrade ABC Software	$600K
(Revitalize ABC	Training, annual maintenance	300K
	Model Support Services	150K
	Data Warehouse maintenance	600K
	Total	$1,650K

Example of Internal Demand for C&P Results--Unit Cost Calculation

	Command & Staff	Community Services	Training Support	Facility Support	Logistics Support	Information Technology	Overhead	Public Safety	Major Process
MCIWEST	$73,733,332	$134,977,095	$78,112,425	$358,288,289	$98,048,284	$23,688,411	$144,510,306	$58,685,649	$970,043,791
TECOM	$37,313,055	$24,144,549	$109,013,419	$51,212,405	$22,273,997	$4,657,085	$13,846,465	$6,850,475	$269,311,450
MCINCR	$14,081,371	$30,151,953	$2,871,115	$71,156,659	$16,685,361	$9,264,810	$19,755,786	$25,408,939	$189,375,994
MCIEAST	$109,593,746	$82,711,733	$98,705,715	$348,164,5	88,774,9	$24,567,759	$88,092,930	$48,326,117	$888,937,468
MCIWESTPAC	$32,969,120	$94,282,125	$25,126,4	$121,014,7	$69,232,49	$8,488,940	$91,896,426	$41,599,785	$494,610,172
MCIMIDTPAC	$14,100,930	$28,9	$12,339,448	$75,208,933	$16,030,694	$5,61 011	$30,981,565	$7,949,053	$191,198,873
Region	**$281,7**	**$395,237,694**	**$326,168,69**	**$1,025,045,49**	**$311,045,793**	**$86,285,01**	**$3 9,083,478**	**$188,820,018**	3,003,477,748

	Supply Services	Food Services	Procurement Services	Transportation Services	Logistics Support
MCAF Quantico	$3,004,950	$0	$662,849	$0	$3,667,799
MCAS New River	$961,018	$1,140,109	$357,859	$114,325	$2,573,311
MCB Camp Lejeune	$28,591,249	$3,472,520	$2,170,86	9,933,05	$44,167,676
MCAS Cherry Point	$6,082,427	$2,284,376	$2 3,912	3 $3,545,769	$14,266,484
MCAS Beaufort	$3,597,405	$2,361,456	$201,710	$1,452,279	$7,512,850
MCLB Albany	$1,533,730	$0	$32,084	$14,921,025	$16,48 839
MCIEAST	**$43,770,779**	**$9,258,461**	**$5,779,278**	**$29,966,441**	**$88,774,9 9**

88,774,959

Transportation Services	Freight	Maintain Vehicles	Operator S	Passenger Service	Personnel Property	Fleet Management
Camp Lejeune	2,858,991	1,856,331	1,183,133	1,866,022	474,515	9,933,053

9,935,053

/51,200LT = $55.84 per Freight Ton-Mile

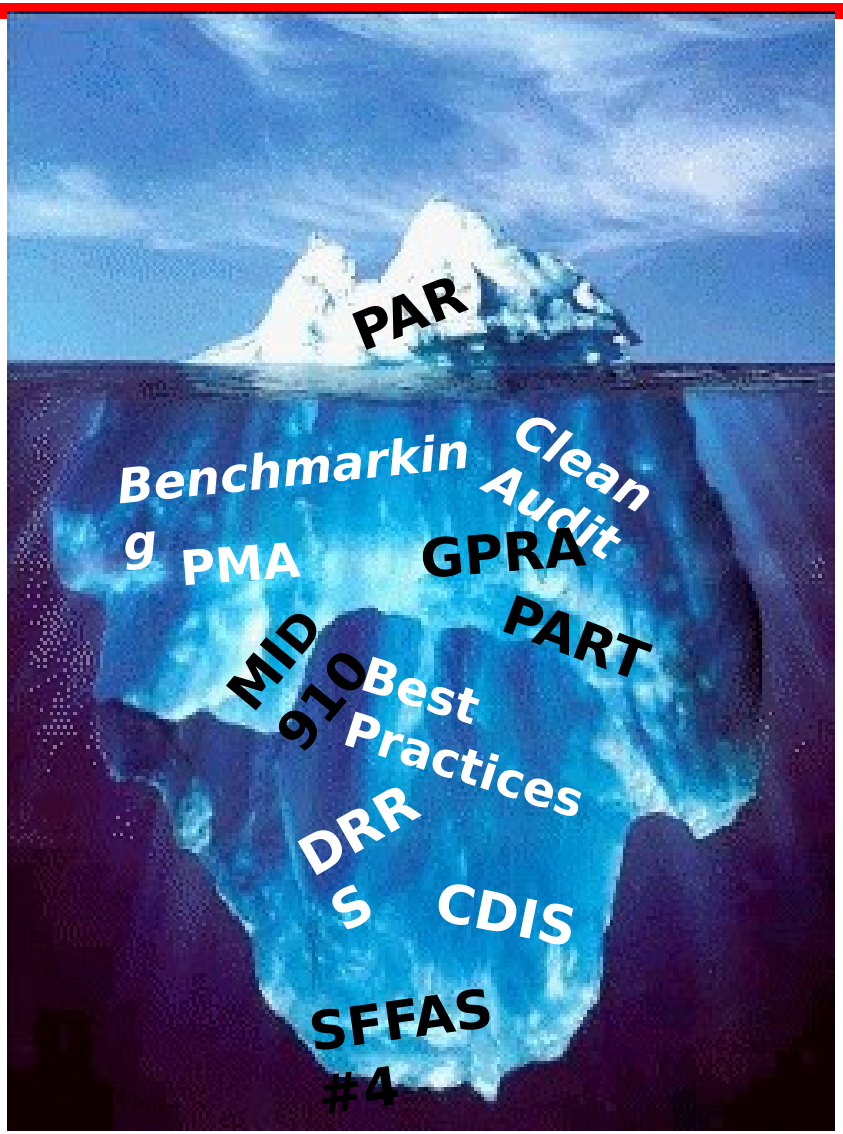
/2,151 = $550.00 per Passenger-Assisted

Unit Costs

Summary: Determining the Cost and Performance of Operations is Required

Question 1:

How should C&P information be gathered?



Question 2:

How should C&P information be used?

Obstacles…

. . . to adoption of Cost and Performance Management

Improved business processes could reduce costs by eliminating unnecessary work;

BUT…

Managers are penalized if funds are not spent by year-end.

AND

Productivity gains are needed to offset budget cuts and redirect funds to higher priority work;

BUT…

Many employees won't contribute or help carry out labor saving ideas if they think their jobs are at risk as a result.